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10 UNITED STATES DISTRICT COURT

11 NORTHERN DISTRICT OF CALIFORNIA

12 SAN FRANCISCO DIVISION

13 WAYMO LLC,

14 Plaintiff,

15 vs.

16 UBER TECHNOLOGIES, INC.;

17 OTTOMOTTO LLC,

18 Defendants.

CASE NO. 3:17-cv-00939

**PLAINTIFF WAYMO LLC'S
SUBMISSION IN RESPONSE TO THE
COURT'S ORDER REQUIRING
FURTHER RESPONSE RE UNJUST
ENRICHMENT (DKT. 2404)**

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Judge: The Honorable William Alsup

Trial Date: February 5, 2018

Waymo submits the following brief in response to the Court’s Order Requiring Further Response Re Unjust Enrichment (Dkt. 2404), in which the Court asked two questions:

- (1) “Do both sides agree that acquisition alone can be enough to support an unjust enrichment award under both CUTSA and DTSA?” and
- (2) “Has Waymo preserved an unjust enrichment theory based on acquisition alone?”

I. THE PARTIES AGREE THAT ACQUISITION ALONE CAN SUPPORT DAMAGES, INCLUDING AS MEASURED BY UNJUST ENRICHMENT.

The parties agree that acquisition alone can support a damages award, including in the form of unjust enrichment, under both CUTSA and DTSA. As Waymo has repeatedly noted, both the statutory text and case authorities citing the same indicate that acquisition alone is sufficient for a damages award. *See, e.g.*, Dkt. No. 2077 at 1-2; Dkt. No. 2230 at 1-2; Dkt. No. 2278 at 3-5; Dkt. No. 2351 at 11-12; and Dkt. No. 2397 at 1-4. Three days ago, in their Second Supplemental Brief on Jury Instructions, Defendants admitted that they “do not dispute that, based on the statutory text, damages (but not a reasonable royalty) could theoretically be awarded for acquisition alone.” Dkt. 2398 at 1. Thus, the parties agree that acquisition alone can be enough to support an unjust enrichment award under both CUTSA and DTSA.

II. WAYMO HAS PLED AND PRESERVED AN UNJUST ENRICHMENT THEORY BASED ON ACQUISITION ALONE.

Waymo has indeed pled and preserved that Defendants were unjustly enriched by their acquisition of Waymo’s trade secrets based on acquisition alone, absent any disclosure or use. As an initial matter, Waymo’s Corrected Supplemental Initial Disclosures provide that Waymo seeks unjust enrichment damages with no limitation to any particular theory of misappropriation. Dkt. 797-3. Similarly, in the Joint Pretrial Order, the parties jointly identified as an issue to be tried, “[w]hether Uber or Otto Trucking was unjustly enriched by *any* misappropriation of the alleged trade secrets by Uber or Otto Trucking, and if so, the amount of that unjust enrichment.” Dkt. 2257 at 15 (emphasis added). Thus, the parties did *not* limit unjust enrichment to use and disclosure based misappropriation, but included acquisition as well. *See id.* at 13-14 (issues 4 and 5 to be tried include whether Uber misappropriated any of the alleged trade secrets by improperly acquiring them in violation of CUTSA or DTSA). In addition, Waymo has pled more specific unjust enrichment as

described below.

1. Acquisition of Competitive Knowledge

Merely “acquiring” a competitor’s trade secrets can confer improper competitive benefits, which can be in some ways *more* damaging than “actual use.” For example, general knowledge of a competitor’s trade secrets, technological and research progress, or timing toward practical implementation of an idea or technology, can confer a tremendous advantage. A misappropriating company might acquire a competitor’s trade secrets not to “use” them, but merely in order to evaluate that competitor’s progress in developing similar technology. Acquiring this knowledge could be tremendously valuable to the misappropriator in a range of ways from setting research priorities to allocating resources and assessing capital requirements, but this very beneficial employment of knowledge about the state of the competitor’s technology might fall short of actual “use” of the technology itself. *See* Dkt. 2251 at 7 (RTJI XV).

Waymo has consistently pled that Defendants have been unjustly enriched by their gain of a competitive advantage through acquisition of Waymo’s trade secret information. In its Third Supplemental Response to Defendants’ Interrogatory No. 13, Waymo stated that Defendants “have been unjustly enriched due to their misappropriation of Waymo’s trade secrets.” Ex. 1 at 53. Waymo then identified multiple ways in which Defendants had been unjustly enriched, including “the value that was paid (or will be paid) by Uber for Ottomotto and Otto Trucking (collectively, ‘Otto’),” which they valued internally at \$592 million. Waymo explained that, for Uber, simply having access to the misappropriated trade secrets alone would be very beneficial and valuable while developing medium and long-range LiDAR:

[REDACTED]

[REDACTED] Defendants do not dispute that Mr. Levandowski had access to Waymo’s files at this time—as a result of both his ongoing employment at

Waymo, and his illicit downloads.

Uber and Otto began negotiating the term sheet for the acquisition of Otto in January and February 2016, with the final term sheet executed on February 22, 2016. (UBER00017518-578; UBER00069043-064.) For at least some of this period, Mr. Levandowski was still an employee of Google. Because Otto had no products when Uber and Otto began negotiating (Qi Tr. 146:8-18; Poetzscher Vol. I Tr. at 129:18-20; Poetzscher Vol. II Tr. at 399:8-14; Ron Tr. at 69:9-70:24), the only things of value to be acquired by Uber were likely (1) the engineers that Uber acquired; and (2) Waymo's technology. Therefore, the misappropriated trade secrets represented a significant portion of the assets acquired by Uber, as well as the talents of the employees that would be engaged in connection with the acquisition.

Ex. 1 at 53-54. As described above, Uber recognized that, at a minimum, general knowledge of Waymo's LiDAR trade secrets would be extremely valuable to Uber, especially given that developing an autonomous vehicle was described as "basically existential" for Uber by Uber's then CEO. *Id.* at 56. Moreover, Waymo's cited John Bares' deposition testimony, which further reinforces that merely having access to Waymo's trade secrets in the future would benefit Defendants:

[REDACTED]

1 Ex. 3 at 179 :14-180 :12. As this testimony cited in Waymo’s Interrogatory Response reveals, Uber
2 saw value in acquiring the trade secrets *even if it never actually used them*. As further disclosed in
3 Waymo’s Response to Interrogatory No. 13, Defendants similarly saw value in acquiring the
4 misappropriated trade secret at Tyto, which Otto acquired for [REDACTED] within a month of the Uber-
5 Otto acquisition. Ex. 1 at 54-55.

6 2. Acquisition of Negative Trade Secrets And Negative Information Regarding
7 Positive Trade Secrets.

8 Acquiring knowledge of a negative trade secret can also confer benefits apart from “use.”
9 The California Court of Appeals hinted at such benefits:

10 Entirely absent from E*Trade’s discussion is the fact that a defendant may achieve
11 any number of nonpecuniary benefits by stealing a trade secret. For example, the
12 stolen secrets might reveal that a particular avenue of inquiry would be unsuccessful,
13 thereby saving the defendant significant research and development efforts. But as
14 E*Trade would have it, even where liability is proved and the defendant has enjoyed
15 some nonpecuniary benefit as a result of the theft, if a plaintiff offers any sufficient
16 evidence to show the defendant was unjustly enriched and the jury rejects the
17 evidence, the trial court would have no discretion to award any monetary relief at all.
18 The defendant would have benefitted by the plaintiff’s efforts and ingenuity but the
19 plaintiff could not be compensated. This would be inconsistent with the public
20 policies underlying the law.

21 *Ajaxo Inc. v. E*Trade Fin. Corp.*, 187 Cal. App. 4th 1295, 1312 (2010). The language used by the
22 *Ajaxo* court hints at real benefits apart from “actual use” of a negative trade secret. For example, a
23 misappropriating company might acquire a competitor’s trade secrets, only to discover that that
24 competitor’s research had proven fruitless. Acquiring this knowledge about the trade secret could
25 still be tremendously valuable to the misappropriator in a range of ways similar to those cited above,
26 including with regard to setting research priorities, allocating resources, and assessing capital
27 requirements. Moreover, the misappropriating company might benefit from unique insight into the
28 prospects (or lack thereof) of competitors pursuing similar approaches. But, the misappropriator’s
very beneficial employment of knowledge about the state of the competitor’s technology might not
necessarily qualify as “actual use” of it. *See* Dkt. 2251 at 7 (RTJI XV).

Waymo has pled this type of benefit with respect to both negative trade secrets and negative
aspects of “positive” trade secrets. For example, in its Third Supplemental Response to Defendants’
Interrogatory No. 13, which is directed to the bases for Waymo’s damages, Waymo identified the

1 unjust enrichment that Defendants enjoyed by acquiring Trade Secret 111—a negative trade secret.

2 Waymo stated:

3 With respect to Trade Secret 111, Defendants have likely saved at least one years’
4 worth of development expenses. Trade Secret 111 covers the know-how associated
with the [REDACTED]

5 [REDACTED] Waymo spent
approximately one year working on this trade secret before deciding not to pursue it,
6 and there is evidence that Uber was considering the same solution before acquiring
Otto. (*See* UBER00072238.) However, Anthony Levandowski urged Uber not to
7 pursue this design, and Uber did not. (Haslim Vol. III Tr. at 481:20-482:22.)

8 Ex. 1 at 57-58. This response identifies at least two categories of unjust enrichment accruing to
9 Defendants—(1) one years’ worth of development expenses which Defendants saved by avoiding a
10 particular dead-end, and (2) Defendants’ knowledge that Waymo was not pursuing this particular
11 line of inquiry at all—each of which would be independently useful to Defendants. Each of these
12 provides an independent basis for unjust enrichment based on acquisition alone, without any “actual
13 use” of the underlying trade secret.

14 Similarly, Waymo has also described the benefits that Defendants accrued solely from
15 acquisition of Trade Secret 25, which covers [REDACTED]

16 [REDACTED] Waymo’s Third Supplemental Interrogatory
17 Response cites deposition testimony from Waymo’s Dimitri Dolgov, who explained that Trade
18 Secret 25 is tremendously valuable because “it captures the experience accumulated over the course
19 of developing the system and trying different ideas and understanding, you know, *what problems*
20 *we had to solve* and, you know, *which ones you don’t have to solve*, and *which ones get subsumed*
21 *by others*.” Ex. 1 at 57 (citing Dolgov Indiv. Tr. at 153:7-12) (emphasis added). Thus, while Trade
22 Secret 25 is not a negative trade secret, it encompasses aspects of negative trade secrets insofar as it
23 identifies which [REDACTED] do *not* need to be solved, thereby
24 saving the misappropriator years of working on unnecessary problems. *See id.* (citing Dolgov Indiv.
25 Tr. at 152:15-17 (noting that Trade Secret 25 is the “product of the experience that the team has
26 accumulated over the years of working on this technology”)). Moreover, even if Defendants had
27 not made “actual use” of the technology itself, the associated roadmap of which problems did and
28 did not need to be addressed, or which were subsumed into others, was a highly valuable aid to

1 Defendants in assessing whether or not to pursue a similar approach, and in making any cost-benefit
2 analysis relating to the same significantly more accurate. Thus, Defendants received significant
3 benefits based on acquisition alone, including each of a practical technological benefit, knowledge
4 about the state of Waymo's development, and a roadmap for evaluating whether and how to pursue
5 a similar approach.

6 Finally, in Waymo's Response to Interrogatory No. 28 regarding how Defendants'
7 misappropriation was a substantial factor in causing Defendants' unjust enrichment,¹ Waymo stated:
8 "Uber is being unjustly enriched by the acquisition and use of Waymo's trade secrets in terms of
9 saved development expenses. When considering whether to acquire Otto, Uber acknowledged that
10 Mr. Levandowski [REDACTED]

11 [REDACTED] Ex.
12 2 at 8. As described above, Mr. Levandowski effectively offered Defendants the chance to benefit
13 from trade secrets without "actual use" of the underlying technology. This misappropriation by
14 acquisition alone is compensable by damages for unjust enrichment.

15 3. Acquisition of Control.

16 Acquiring knowledge of trade secrets can confer unjust benefits through the improper
17 acquisition of control over that information. The California Supreme Court has recognized the value
18 of control over such information:

19 Although KMSL fails to provide a citation for that assertion, KMSL proceeds to
20 quote language in *Silvaco* drawing a distinction between patent law and trade secret
21 law. *Silvaco* explained, "The sine qua non of a trade secret ... is the plaintiff's
22 possession of information of a type that can, at the possessor's option, be made
23 known to others, or withheld from them, i.e., kept secret. This is the fundamental
24 difference between a trade secret and a patent. A patent protects an *idea*, i.e., an
25 invention, against appropriation by others. Trade secret law does not protect ideas
26 as such. Indeed a trade secret may consist of something we would not ordinarily
27 consider an *idea* (a conceptual datum) at all, but more a *fact* (an empirical datum),
such as a customer's preferences, or the location of a mineral deposit. In either case,
*54 the trade secret is not the idea or fact itself, but *information* tending to
communicate (disclose) the idea or fact to another. Trade secret law, in short,
protects only the right to control the dissemination of information." (*Silvaco, supra*,
184 Cal.App.4th 210 at pp. 220–221, 109 Cal.Rptr.3d 27.) . . .

28 ¹ Notably, in response to Defendants' Interrogatory No. 28, Waymo incorporated by reference
its response to Uber's Interrogatory No. 13. Ex. 2 at 6.

1 In conclusion, it is clear that if a patentable idea is kept secret, the idea itself can
2 constitute information protectable by trade secret law. In that *56 situation, trade
3 secret law protects the inventor's "right to control the dissemination of information"
4 "(*Silvaco, supra*, 184 Cal.App.4th at p. 221, 109 Cal.Rptr.3d 27)—the information
5 being the idea itself—rather than the subsequent use of the novel technology, which
6 is protected by patent law (*Cadence Design Systems, Inc. v. Avant! Corp., supra*, 29
7 Cal.4th at p. 222, 127 Cal.Rptr.2d 169, 57 P.3d 647). In other words, trade secret law
8 may be used to sanction the misappropriation of an idea the plaintiff kept secret. (See,
9 e.g., *Learning Curve, supra*, 342 F.3d at p. 721 [misappropriation of "concept" for
10 noise-producing toy railroad track]; *Contour Design, Inc. v. Chance Mold Steel Co.*
11 (D.N.H., Jan. 14, 2010, 09–CV–451–JL) 2010 WL 174315 [misappropriation of
12 ergonomic mouse "concept"]. This is consistent with the proposition that "The sine
13 qua non of a trade secret ... is the plaintiff's possession of information of a type that
14 can, at the possessor's option, be made known to others, or withheld from them, i.e.,
15 kept secret." (*Silvaco*, at p. 220, 109 Cal.Rptr.3d 27)

16 *Altavion, Inc. v. Konica Minolta Sys. Lab. Inc.*, 226 Cal. App. 4th 26, 53–56 (2014)
17 (misappropriation involving use and improper acquisition). The *Altavion* court identifies real harm
18 to a trade secret owner from loss of control over its property and suggests that corresponding real
19 benefits accrue to the misappropriator from gaining such control, regardless of whether the
20 misappropriator actually uses or discloses the underlying information. Similar concerns about
21 "access to," not just "use of" a trade secret have animated at least one other decision within this
22 district:

23 In arguing that they have not "used" the computerized data which constitutes the
24 trade secrets in this case, defendants mistakenly rely on *University Computing*.
25 Unlike the misappropriation and attempted sale of a tangible product contemplated
26 by *University Computing*, this case simply involves unlawful access to information
27 about plaintiffs' customers. The Court has already found that the misappropriation
occurred when defendants improperly acquired the TBR. See Summary Judgment
Order at 12. Because defendants could have lawfully acquired the information
through other avenues, the issue of their intended use of the [sic] information in their
Awards program is irrelevant. See *id.* That defendants never fully implemented the
Awards program based on that access is immaterial to the royalty question. It is
relevant, however, that defendants conceded that they referred to the TBR for
approximately 400,000 high-use customers. It is this use of the data which triggers
defendants' financial obligation. Because the central element of this case is access to
the information, not the sale of data or the marketing of the Awards program, once
defendants accessed the misappropriated TBR from plaintiffs' databases and
examined that data they became obligated to pay for their use of that unlawfully
acquired information.

28 *AT&T Communs. v. Pac. Bell*, No. C 96-1691 CRB, 1998 U.S. Dist. LEXIS 13459, at *6-7 (N.D.

1 Cal. Aug. 26, 1998), *subsequent history omitted*. Indeed, in *ATS Prods., Inc. v. Champion*
2 *Fiberglass, Inc.*, another court in this district found that a plaintiff had pled sufficient facts to state
3 a claim for misappropriation through acquisition, and in doing so highlighted that a trade secret
4 owner's loss of control over its proprietary information could result in unjust enrichment to the
5 misappropriator:

6 When a party misappropriates a trade secret, the actual owner of the trade secret
7 forfeits a degree of control over the information. *Silvaco*, 184 Cal.App. 4th at 220–
8 21 (“The *sine qua non* of a trade secret ... is the plaintiff's possession of information
9 of a type that can, at the possessor's option, be made known to others, or withheld
10 from them.... Trade secret law ... protects ... the right to control the dissemination of
11 information.”) (emphasis omitted). It is possible for a party to suffer injury when
12 another party gains control of trade secret information through improper acquisition.
See *Cytodyn, Inc. v. Amerimmune Pharm., Inc.*, 160 Cal.App. 4th 288, 296 (2008)
13 (“The statute allows a complainant to recover damages for the actual loss caused by
14 a misappropriation, and to recover for the unjust enrichment caused by the
15 misappropriation.”).

16 No. C 13-02403 SI, 2014 WL 466016, at * 3 (N.D. Cal. Feb. 3, 2014). Thus, for example, a
17 misappropriating company might acquire a competitor's trade secrets and not make “actual use” of
18 that information. But merely having access to that information at will could immediately confer
19 indirect benefits, such as increased valuation during a private capital raise or acquisition, whether
20 on the assumption that the misappropriator *might* access the information or due to more precise
21 information about the misappropriator's standing *vis-à-vis* its competitors. As above, while the
22 misappropriator's very valuable control over the competitor's technology may not necessarily
23 qualify as “actual use” of it, *see* Dkt. 2251 at 7 (RTJI XV); nevertheless, it is unjust enrichment.

24 In Waymo's Response to Interrogatory No. 28, Waymo explained how it would be harmed
25 (and Defendants, as competitors, would benefit) from this loss of dominion over its trade secrets.
26 Specifically, Waymo described the exponentially greater danger of additional disclosure up to and
27 including public disclosure of the trade secrets. For example, Waymo stated the following with
28 respect to Trade Secret No. 2:

The risk that Defendants will disclose Trade Secret No. 2 is another substantial
factor in causing Waymo harm, although not one that Waymo can necessarily
quantify. Defendants have already begun making regulatory filings that reference
Waymo's trade secrets. Dkt. 27-31. And if Defendants continue using Waymo's
trade secrets in their self-driving car endeavors, there would likely be additional

1 filings disclosing other aspects of Waymo's trade secrets. Improper disclosure of
2 trade secrets is, of course, a classic injury because such disclosure destroys the trade
3 secret altogether. *Saini v. Int'l Game Tech.*, 434 F. Supp. 2d 913, 919 (D. Nev. 2006)
(“Public disclosure of a trade secret destroys the information's status as a trade
4 secret.”).

5 Ex. 2 at 9 (emphasis added). Waymo made similar disclosures with respect to Trade Secret Nos.
6 7, 9, 13, 14, 25, 90, and 111. *See id.* at 10, 11, 12, 13, 14, 15, 17.

7 **III. IF WAYMO DOES NOT PROVE MISAPPROPRIATION BY USE, WAYMO'S**
8 **PLEADINGS ON USE WOULD STILL BE RELEVANT TO UNJUST**
9 **ENRICHMENT DAMAGES FROM MISAPPROPRIATION BY ACQUISITION.**

10 Defendants will undoubtedly argue that Waymo's pleadings with respect to unjust
11 enrichment from misappropriation by acquisition are inextricably intertwined with its pleadings
12 with respect to unjust enrichment from misappropriation by use. But even if true, this is irrelevant,
13 as damages from improper acquisition alone will only become relevant if Waymo has failed to prove
14 disclosure or use. In that unlikely event, the jury need not parse out what damages relate to
15 misappropriation by use and what misappropriation is related to acquisition; rather, all of the
16 misappropriation is related to improper acquisition---including actions which lie on the border
17 between “acquisition” and “use.”

18 The cases support this sometimes blurred line between “acquisition” and “use.” For
19 example, as quoted above, the district court in *AT&T* found on summary judgment that “the
20 misappropriation occurred when the defendants improperly acquired the TBR” and stated that “this
21 case simply involves unlawful access to information about plaintiffs' customers.” 1998 U.S. Dist.
22 LEXIS 13459, at * 6. Nevertheless, when it came time for the court to assess a royalty, the primary
23 dispute concerned whether the defendants “used” the TBR data that constituted the trade secrets.
24 *Id.* Slipping between referring to the defendants' unlawful acquisition as “access” and “use,” the
25 court concluded: “Because the central element of this case is *access* to the information, not the sale
26 of data or the marketing of the Awards program, once defendants *accessed* the misappropriated TBR
27 from plaintiffs' databases and *examined* that data they became obligated to pay for their *use* of that
28 unlawfully *acquired* information.” *Id.* at *6-7 (emphasis added). Similarly, here, there is little
practical difference between “acquiring” knowledge of the substance of a negative trade secret or
competitive advantage surrounding a trade secret, and making “actual use” of it. And thus, if

1 Waymo succeeds in showing the value of benefits to Defendants other than losses avoided, it can
2 prove unjust enrichment damages.

3 Nevertheless, if Waymo cannot prove the value of that benefit or show proximate causation
4 to Defendants' actions, it may *still* be entitled to a reasonable royalty based on unquantifiable or
5 non-pecuniary benefits. Indeed, Waymo and Defendants appear to agree not only that
6 (i) misappropriation by acquisition may lead to damages, *see supra* Section I, but also that (ii) a
7 reasonable royalty is available if Defendants have benefitted from misappropriation but "the actual
8 loss or benefit is difficult or impossible to quantify," Dkt. 2350. And as Waymo has demonstrated
9 previously, there is neither support for nor a rationale underlying the idea that a reasonable royalty
10 would *not* be available for misappropriation by acquisition alone. *See* Dkt. 2397 at 5-6; Dkt. 2351
11 at 11-13.²

12 DATED: December 18, 2017

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27 _____
28 ² The parties' dispute regarding whether "unquantified" or "non-pecuniary" harm is *necessary*
to, or merely *sufficient* for the award of a reasonable royalty is irrelevant here.